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Subject Wall Street Journal: Grace to Pay for Asbestos Cleanup

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By ANA CAMPOY
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W.R. Grace & Co.'s nearly seven-year drive to leave bankruptcy-court protection has inched forward with a \$250 million agreement to pay for clearing asbestos from a northwestern Montana city, but the company's future is still up in the air.

The specialty-chemical company agreed Tuesday to pay the U.S. \$250 million for its investigation and asbestos-cleanup work in Libby, Mont., where Grace owned a mine and facilities from 1963-90 that processed asbestos-contaminated vermiculite. When inhaled, asbestos can cause lung disease and a deadly form of cancer. The Environmental Protection Agency began to investigate the asbestos contamination in 1999.

The deal, which the government called the largest in the history of its Superfund hazardous-waste program, covers all past and future costs for cleaning the city's contaminated schools, homes and businesses, according to the Justice Department and the EPA.

A bankruptcy-court judge is determining how much the Columbia, Md., company will have to set aside to compensate people who were injured by exposure to asbestos contamination from Grace's facilities or from its products. The judge's decision holds the answer to whether the company will exit Chapter 11. Grace filed for Chapter 11 bankruptcy protection in April 2001.

A group of lawyers that represents asbestos-victims calculates damages of at least \$3.6 billion. Grace puts the figure at \$500 million.

The cleanup money "is not a small amount of money, but it's not a big part of Grace's future," said David Bernick, of Kirkland & Ellis LLP, attorney for Grace.

Lawyers representing creditors said the payment to the government will have no bearing on what damages Grace will be required to pay for personal injuries. That trial is under way.

"While Grace is spending \$250 million to repair property damage, the far greater damage is that which has been caused to the people of Libby," said Daniel Cohn, a lawyer at Cohn Whitesell & Goldberg LLP, which represents people who claim asbestos injuries and are

Grace's creditors. "Those people have not received any compensation for their damage."

The company isn't publicly sharing its current estimates on the costs it expects to incur due to asbestos contamination. Its financial statements show \$1.7 billion for all asbestos liabilities, including those stemming from personal injuries and property damage, but the figure dates back to 2004 and "does not reflect the evidence and analyses that have emerged in the more recent estimation process," said Mr. Bernick.

He added the company has the wherewithal to pay the \$250 million without derailing its current efforts to emerge from bankruptcy. The company's market value is about \$1.5 billion.

The settlement is subject to approval by a bankruptcy court. The Superfund program was created several decades ago to deal with abandoned hazardous waste sites. It is overseen and carried out by the EPA, which has been going after corporate polluters to pay for cleanup work.

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